

**MINUTES
SCHOLARSHARE INVESTMENT BOARD**

June 19, 2008, 1:00 p.m.

Chair Patricia Wynne called the meeting to order at 1:04 p.m.

Present: Patricia Wynne for Bill Lockyer, State Treasurer
Diana Ducay for Michael C. Genest, Department of Finance
Dena Wilson for David Long, Office of the Secretary of Education
Antoinette Chandler

Staff: Zeny Marie Agullana, Executive Director, ScholarShare Investment Board (SIB)
Don Sherman, Manager, SIB
Stanley Zeto, Analyst, SIB
Ali Cooper, Outreach Coordinator, SIB
Sue Lim, Compliance Officer, SIB
Kristin Smith, Staff Counsel, State Treasurer's Office

Consultants: Allan Emkin, Managing Director, Pension Consulting Alliance, Inc. (PCA)
Rebecca Wei, Associate, PCA

Fidelity: Joe Ciccariello, Vice President, College Planning, Fidelity Investments (Fidelity)
Jeff Troutman, Vice President, College Planning, Fidelity Investments
Institutional Services
Peter Mahoney, Vice President, Relationship Manager, Fidelity
Chris Sharpe, Portfolio Manager, Fidelity

The Chair declared a quorum present at 1:04 p.m.

Board Agenda Item Number One
Approval of Minutes from April 1, 2008 Meeting

The minutes from the April 1, 2008 ScholarShare Investment Board (SIB or Board) meeting were presented to the Board.

Board Action:

Member Wilson moved to approve the item before the Board, the minutes from the April 1, 2008 SIB meeting. The motion was seconded by Member Ducay and approved by the Board.

Board Agenda Item Number Two

Executive Director's Report

Mr. Stanley Zeto, SIB, provided updated account information for the ScholarShare Direct Plan and Advisor Plan. Mr. Don Sherman, SIB, provided an update on legislation including Senate Bill 1457, currently under review in the Assembly.

Ms. Zeny Marie Agullana, SIB, provided an overview of recent outreach efforts including events that have taken place during the first half of 2008, as well as events and initiatives planned for September, College Savings Month. Ms. Agullana provided an update on this past year's budget and noted that an additional line item for marketing and outreach would be added for fiscal year 2008-2009.

Mr. Zeto reported that a Request for Proposals for an Auditor was issued in late May with proposals due in late June and that the contract with TIAA-CREF Tuition Financing, Inc. for program management services for the Governor's Scholarship Programs has been extended for one year.

Board Agenda Item Number Three

Resolution to Approve the Sponsorship Selection Criteria and Goals of the ScholarShare Outreach and Public Education Plan

Ms. Agullana presented the updated ScholarShare Outreach and Public Education (SCOPE) Plan to the Board. Ms. Agullana stated that the updated SCOPE Plan included specific goals as well as selection criteria for sponsorships. The Board stated that the goals and sponsorship selection criteria provided in the SCOPE Plan were a good starting point. Member Wilson requested that the SCOPE Plan be reviewed annually, and Member Ducay requested that a process for collecting results be established.

Board Action:

Member Wilson moved to approve the item before the Board, Resolution No. 2008-05, approving the sponsorship selection criteria and goals of the SCOPE Plan. The motion was seconded by Member Chandler and approved by the Board.

Board Agenda Item Number Four

Resolution to Approve Changes to the ScholarShare Proxy Policy

Mr. Allan Emkin, Pension Consulting Alliance, Inc. (PCA), reported that PCA and Staff have reviewed the SIB Proxy Policy and made revisions to address concerns that the Board had at the April 1, 2008 Board meeting. Member Wilson inquired about whether the new language was consistent with the language that CalPERS and CalSTRS adopted. Mr. Emkin confirmed that the language is consistent.

Board Action:

Member Wilson moved to approve the item before the Board, Resolution No. 2008-06, approving changes to the SIB Proxy Policy. The motion was seconded by Member Chandler and approved by the Board.

Board Agenda Item Number Five

Resolution to Approve Changes to the ScholarShare Statement of Investment Policy

Mr. Emkin reported that PCA and Staff have reviewed the ScholarShare Statement of Investment Policy (Investment Policy) and made revisions to address concerns that the Board had at the April 1, 2008 Board meeting. Member Wilson inquired about whether the new language was consistent with the language that CalPERS and CalSTRS adopted. Mr. Emkin confirmed that the language is consistent.

Board Action:

Member Wilson moved to approve the item before the Board, Resolution No. 2008-07, approving changes to the ScholarShare Statement of Investment Policy. The motion was seconded by Member Chandler and approved by the Board.

Board Agenda Item Number Six

Review and Analysis of Fidelity Investments' Investment Performance for the ScholarShare Advisor Plan for First Quarter 2008

Mr. Emkin presented PCA's "Advisor Plan Investment Performance Status Report" for the first quarter of 2008. Mr. Emkin noted that the capital market has been improving and that most of the portfolios in the "caution" range were fixed income.

Mr. Chris Sharpe, Fidelity, presented Fidelity's "Investment Performance Review" for the ScholarShare Advisor Plan for the first quarter of 2008. Mr. Sharpe reported that the mortgage market shows to be improving.

Board Agenda Item Number Seven

Review and Analysis of Fidelity Investments' Investment Performance for the ScholarShare Direct Plan for First Quarter 2008

Mr. Emkin presented PCA's "Direct Plan Investment Performance Status Report" for the first quarter of 2008. Mr. Sharpe presented Fidelity's "Investment Performance Review" for the ScholarShare Direct Plan for the first quarter of 2008.

Chair Wynne requested that a draft of options concerning market volatility be addressed to ScholarShare participants. Ms. Agullana stated that Staff and Fidelity will work on text concerning this matter for the annual ScholarShare Report on Higher Education.

Board Agenda Item Number Eight

Review of Fidelity Investments' Administrative Performance for the ScholarShare Direct Plan for First Quarter 2008

Mr. Joe Ciccariello, Fidelity, presented Fidelity's Quarterly Administrative Performance report, comparing its performance during the first quarter of 2008 to the administrative benchmarks adopted by the Board at the April 2007 meeting. Mr. Ciccariello stated that the growth rate for assets for the 529 industry has decreased from early 2007 to early 2008, whereas assets for ScholarShare have managed to remain flat. Mr. Ciccariello reported that Fidelity has hired additional staff to address the areas of underperformance and that performance has shown improvement during the months of April and May 2008. Mr. Ciccariello stated that Fidelity is in the process of making changes to the call center with representatives' training dedicated to the 529 plan; these changes are scheduled to take place in September.

Public Comment

Chair Wynne called for public comment. There was none.

There being no further business before the Board, the Chair adjourned the meeting at 2:46 p.m.

Respectfully submitted by,

Zeny Marie Agullana, Executive Director
ScholarShare Investment Board